U.S. Department of Agriculture
Office of the Secretary

HAVE WE COME SO FAR?

I would like to read an excerpt from an article in the San Francisco Chronicle:

> "We (in California) have been accustomed to boast of our 'big things' in agriculture--our boundless wheat fields and our great orchards and vineyards...California has come to be thought of, agriculturally, as mainly a fruit growing state. This is due to the fact that fruit growing being speculative offers the hope of great profit. The prospect of large profit brings many investors and induces them to pay high prices for land...the general result is that the entire state becomes gradually involved in a gigantic land speculation. It is magnificent, but it is not agricultural development..."

In March of this year I called for a national dialogue on the structure of American agriculture. This dialogue is drawing tribute from some quarters and skepticism from others. But it is drawing attention everywhere.

There are those who praise the fact that this administration is not writing off the family farmer. Others protest that similar inquiries have been initiated, without significant follow-through, by other administrations in other times.

As indeed they have.

Remarks prepared for delivery by Secretary of Agriculture Bob Bergland before the Commonwealth Club of California, San Francisco, California, August 7, 1979

What we in USDA are finding in our first months into what already is an extensive and exhaustive study is that we are not the first generation to recognize how reactive farm policies may be shaping the structure of American agriculture into something we neither want nor need.

That excerpt from the Chronicle, for example, sounds as though it were written last week, doesn't it? Well, it wasn't.

The dateline on that issue of the San Francisco Chronicle was Thursday, January 1, 1903, the year that the Chronicle's agricultural editor would found the Commonwealth Club of San Francisco. In that year the paper would report on Booker T. Washington's address on racial issues to an overflowing audience at the California Teachers' Club, a new Panama Canal Treaty between the United States and Colombia, and irrigation and drainage problems in the Sacramento Valley.

My friends, have we come so far?

In 1903, the agricultural editor of the Chronicle wrote that the trend of agriculture in California--great orchards, great profit, speculation, profitable land sales--was "magnificent, but not agricultural development."

In this mid-summer of 1979, the effectiveness of this administration's food and farm policies is confirmed in statistics that for a second year are little short of magnificent.

There has been a truly gratifying response to new programs, particularly the farmer-owned grain reserve. Our farmers are receiving prices for their crops and livestock that are about 16 percent higher than last year. We expect net farm income this year to match the record $33 billion reached in 1973. These higher prices will mean about $1.4 billion less in government payments to farmers.

We have aggressively tackled export development. U.S. agricultural exports may hit a record $32 billion by the end of September. This is a gain of almost $5 billion over last year and 53 percent more than in 1973.

Here in California, the number one producing state, you have your own set of figures to boast about. Last year California farmers earned $10.4 billion in gross cash receipts from farm marketings. California was the fourth leading state in exports of all agricultural commodities, valued at $1.9 billion.

Last year we were pleased with some statistics ourselves.

But while we were telling farmers how well off they were--that farm prices, net farm income, and farm exports were up dramatically--some farmers were marching on Washington to tell us that in the midst of so much stability and relative prosperity, they couldn't make it.

They didn't question the averages, the balance sheets, and the net income figures. They only said the statistics didn't work for them. They said they were individuals with individual problems--problems that they explained in terms of machinery and land and investments and debt--and that the averages didn't address their very real and specific situations.

That's when I started thinking that for the better part of this century we have addressed immediate farm problems with little regard to the composition, control, and direction of the farm and food system.

For the first time the issue was not getting through 1978 or 1979. It became instead the relationship of the many components of agriculture to our goals. Were we using those components to our ends or were they pulling us headlong into a future we never would choose for ourselves?

So I invited a national discussion of how public policy might be changed to reshape and redirect farm structure.

We as a people have always considered the family farm system to be a particularly American way of life. There has been no preamble to any major farm bill since 1933 that has not endorsed the traditional family farm system of agriculture.

And those commitments. have been honest.

What we are asking now is, "Why haven't we been more effective in maintaining this 'traditional' agriculture? Should we continue to try to preserve the traditional family farm system? And if so, how?"

Perhaps the most unique feature of the structure of American agriculture is the fact that it is a byproduct.

It is a responsive system, not a planned one. It has evolved in reaction to technical, economic, and institutional forces operating since the beginning of the country.

Although we recognize the current diversity of American agriculture, for example, we still approach that diversity with price and income policies and programs that worked well for the monolithic structure of agriculture in the 1930's.

Because these shortcomings in the structure of agriculture are becoming apparent--and alarming--to many people, we are raising questions about the economic efficiency and the social goals of that structure.

We are asking, for example, whether our national resources are being used in the most efficient manner.

Since World War II, when the farm sector was not in balance because of an excess of resources, the emphasis has been on policies that have served to encourage consolidation of farms into larger farm units. The result has been an increase in efficiency and productivity. . That's unmistakeable.

But some economists now say that the resource disequilibrium in agriculture no longer exists. They say further consolidation can provide little additional benefit and they're looking at the social costs of further concentration.

Benjamin Hibbard of Wisconsin said more than a quarter-century ago that the "objectives involved in...older agricultural policies were of a broad gauged character. The settlement of the country; the establishment of an independent, sturdy yeomanry; the promotion of the highest type of citizenship; the promotion of the highest degree of morality, happiness, and prosperity."

There can be no doubt that the sociological objectives of our agricultural policies have modified over time. Does this mean that the time has come to deliberately recast agriculture's goals?

I could list many factors that illustrate what our economists in USDA mean by "structure," factors that are both within and outside of the immediate farming sector. But I'd prefer today to discuss just a few that are most representative.

We are all aware of the trend within the farming sector toward fewer and larger farms. In 1950, we had more than 5 million farms. Today we have less than 3 million. On the average, farm size has more than doubled.

Six percent of the nation's farms now control the bulk of our food supplies. And the top 2 percent--only about 55,000 operations--sell more than a third of all farm commodities.

The trends are right here to see in California. Last year California realized 10 percent of the national gross receipts from farming from just 62,000 farms, or 3 percent of all the farms in the nation.

Large, commercial farms, agriculture's elite, receive the greatest benefit from traditional agricultural programs. Program payments, which are based on volume of production, amounted to $2.03 billion in 1978. Only 10 percent of the farms participating in the programs got nearly half the total payments. They were the largest farms. The smallest farms, those making up half the total, got only 10 percent of the payments.

Some argue that any effort to slow the trend toward concentrated ownership and control of agricultural resources will ultimately mean the mandatory breaking up of big farms. I'm aware of that concern. Let me assure you that our efforts to consider small and medium size farms are not synonymous with the breaking up of big farms.

First, "big" is a relative term in reference to farm size. "Big" varies in definition by region and locale. Second, all but 2 percent of our farms are "family farms," regardless of how big they are. In many instances, their size determines their success. And third, I believe that the broadest possible competitive mix of farms--large and small--is in the best interests of rural and urban America.

A second major change in agriculture is the extent to which it has become capital intensive.

Land prices have become the single most prohibitive barrier to entry into farming and to the successful operation of a beginning farm business.

Land prices have tripled since 1967, increasing at an average annual rate of 17 percent.

California's per farm assets are among the highest in the nation.

As is the case across the country, the value of California real estate accounts for about 75 percent of its total farm asset value.

While the average real estate value of an American farm in 1978 was $196,200, the average per farm value in California was a soaring $350,000. The average U.S. farm last year was 444 acres. The average California farm was estimated at 529 acres.

Fourteen years ago economist Harold Breimyer listed four attributes of the traditional structure of American agriculture:

1) Land is privately owned and cultivated.

2) Much of the land is owned by persons within agriculture, rather than by a non-farm propertied class.

3) Individual proprietors are managers and laborers and provide most or all of their operating capital; they may also own their own land.

4) The individual proprietorship is comparatively small.

Today, 14 years later, 40 percent of all farmland in production is rented land.

Increased concentration is not unique to the farming sector. Trends and factors outside of the immediate farming sector are undergoing their own rush toward bigness and are combining to encourage farm size growth.

Gone is the time when buyers and sellers traded all farm products on an open, competitive market. Traditional markets have been replaced since World War II by a variety of exchange arrangements, such as vertical integration, formula pricing, and contractual agreements.

Take, for example, the case of eggs, turkeys, and broilers, for which California was the number 1, number 3, and number 10 producing state in 1978.

The broiler industry is totally vertically integrated. Production, processing, and marketing are all under company control and no price exists at intermediate stages of production.

The egg industry is following the trend, with over 80 percent of production integrated nationally and 85 percent of production integrated here in California.

The turkey industry is fast moving toward integration with about 80 percent of production vertically integrated in California and nationally.

I don't question the immediate gains in these trends; namely, the cost effectiveness that goes along with large-scale efficiency. But there are always some trade-offs. I'm concerned about the implications for consumers of diminishing competition in food production. And I'm worried that in exchange for some certainty in planning the farmer is giving up freedom of decisionmaking. I'm not sure I consider that a square deal.

Farmers are pressured from another direction, too--the input market. Farmers are being squeezed between two industrial sectors, both with relatively concentrated markets--the markets for production inputs and the markets into which they sell commodities. As a result farmers are price takers in both.

In 1940, about 66 percent of all inputs were the "agricultural" resources of land and farm-resident labor. Today farmers buy 70 percent of what they need to produce. Four companies sell three out of every four tractors sold in America. Four companies sell four out of every five combines. And just two firms sell 79 percent of all cotton pesticides.

Policies outside of the immediate farming sector have also shaped the structure of our agriculture.

Take the current controversy over the acreage restrictions in the 1902 Reclamation Act. That's really a controversy over structure.

The 1902 law set a 160-acre limit on the amount of federally irrigated land one person could hold. Its purpose, to settle the west with stable, small family farm communities, was vital to the development and survival of the western regions.

The Senate will soon consider S. 14, a bill reported from the Senate Committee on Energy and Natural Resources, which amends the Reclamation Act. The administration objects to the Senate amendments because they cater to corporate agribusiness and large landowners at the expense of smaller farmers. It's our position that the historic and social intent of the law, to foster and preserve an agriculture based on the family farm, must be upheld.

Energy policy is another factor outside of the immediate farming sector that greatly influences the structure of agriculture. Farmers are dependent on the price and availability of fuels, electricity, lubricants, and derivative products such as petrochemical fertilizers.

This generation doesn't have a monopoly on energy problems.

Let me read an editorial published in the January 18 edition of the San Francisco Chronicle. The year was 1903.

> "This is the problem of the future. The world is not near so likely to press against the limits of subsistence as it is to suffer from the (depletion) of its supplies of mineral fuel. Its future inhabitants may find it harder to keep warm than to get enough to eat and it is extremely improbable, despite the discoveries of fuel oil...that they will be able to command as much mechanical energy in 2000 as in the year 1900...as a result, they will have fewer of the luxuries which we have come to regard as necessaries, because we are recklessly consuming our stores of fuel without reference to the needs of those who are to come after us."

We are those who came after. But have we come very far?

We are a different people in a different time. But we are recognizing and living with the same problems that have haunted the nation for a century. Unless we join with President Carter in carrying out his energy proposals and reducing our dependence on foreign oil, we will be leaving those same problems as a legacy for future generations.

In energy, as in agriculture, we have a choice: to perpetuate the cycle of political, social, and economic structures that got us where we are, or to be the people who start in motion the forces that will bring about change.

I invite all of you--I urge you--to join us at the December 13 hearing in Fresno to discuss the structure of American agriculture.

Despite all of the rhetoric and promises in farm programs, policies, and administration pledges since the 1930's, all that we really have is a vague commitment to the family farmer.

1981 will be the basis for change or lack of change in our approach to farm policy.

At this point I can't promise change by 1981. But I can guarantee that as Californians you will have a lot to think about in the next two years. And I can guarantee that whether or not the national consensus is for change, we will have eliminated much of the vagueness from our commitment to the family farmer.

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